

Module 9

Business

Ethics

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Business Ethics

An ethical approach would normally incorporate a range of stakeholders. Which groups and individuals may be considered as stakeholders can vary, but most would agree that core stakeholders are:

- Constituents
- Employees
- Customers
- Suppliers
- Government

(a) Constituents on whose behalf the organization exists and operates, e.g., business owners or voluntary association members;

(b) Employees who conduct the organization's affairs;

(c) Customers who receive the goods or services the organization produces;

(d) Suppliers who provide the input materials for the organization's activities;
and

(e) Government that guarantees an organization's rights and privileges, enforces its responsibilities, and regulates its behaviors through political processes.

Business Ethics: Four Disciplines

Introduction

Business ethics is best understood as a branch of ethics called applied ethics, that is, the discipline of applying value to human behavior, relationships and constructs, and the resulting meaning.

Business ethics is simply the practice of this discipline within the context of the enterprise of creating wealth (the fundamental role of business).

In spite of some recent bad press, business people are first and foremost human beings. Like all persons, they seek meaning for their lives through relationships and enterprise, and they want their lives to amount to something. Since ethics is chiefly the discipline of meaning, the business person, like all other human beings, is engaged in this discipline all the time, whether cognizant of it or not. Therefore, we will begin by looking at how humans have historically approached the process of making meaningful decisions. Here are four ethical approaches that have stood the test of time.

Utilitarian Ethics

The Utilitarian approach is perhaps the most familiar and easiest to understand of all approaches to ethics. Whether we think about it or not, most of us are doing utilitarian ethics much of the time, especially those of us in business.

The Utilitarian asks a very important question: "How will my actions affect others?" They then attempt to quantify the impact of their actions based on some least common denominator, such as happiness, pleasure, or wealth.

Deontological Ethics

Deontological simply means the study (or science) of duty. Duty-based ethics is enormously important for (though consistently ignored by) at least two kinds of folks: politicians and business people.

It is also the key to a better understanding of our responsibilities as members of teams. Teams are narrowly focused on achieving very clearly defined goals: winning the race, or successfully introducing a new product.

In any team situation the goal is critical, but treating team members with respect is imperative. Teams fall apart when a team member feels used or abused (treated as less important than the overall goal itself).

Virtue Ethics

For philosophers, virtue means the excellence of a thing. The virtue of a physician is to heal; the virtue of a lawyer is to seek justice.

The ultimate end for a person must be an end that is self-sufficient, according to the ancient Greek philosopher Aristotle, "that which is always desirable in itself and never for the sake of something else". For Aristotle, this state of

virtue (a fulfilling life) is achieved not by accident but through intent, reason and practice.

Communitarian Ethics

the Communitarian asks the important question, "What are the demands (duties) that the community (ies) of which I am a part make on me?" Communitarians are quite critical today of the attitude of so many in our society who, while adamant about their individual rights, are negligent of their social duties. The "me generation" has created a need for a new breed of ethicists who insist that, from family and neighborhood to nation and global ecosystem, the communities in which we live require us to accept substantial responsibilities.

Rights and Duties at Work

Introduction

In the HR context there must be a fit between the organization's strategy and its HR strategy for it to be ethical. Individual and organizational goals need to be harmonized.

This requires a two-way relationship between the individual and the organization, expressed through a combination of rights, duties, obligations and loyalty.

Duties, rights and obligations are not givens - individuals will have other loyalties which may come into conflict with those to the organization. For example, professionals may perceive their duty to be to their patient, client or student rather than to the organization. They may also believe that they have professional duties to colleagues and to the profession as a whole rather than to the specific organization that they happen to be working for.

Rights at Work

Rights at work expected by employees might include:

- The right to be treated fairly and honestly.
- The right to be treated as an individual, with roles recognized and adequate training provided.
- The right to be given feedback on performance at work and the opportunity to improve skills.
- The right to be paid a fair and equitable rate in relation to skills, the labor market and the financial position of the firm.
- No restrictions on rights as a citizen the right to have health and safety protected.
- The right to a personal life outside work.
- The right to take part in activities which are of benefit to society.
- The rights to work, and to free association and to strike.

Employee Duties

the relationship cannot be all one way. In return for certain rights organizations would expect employees to fulfill certain duties, which might include:

- The duty of loyalty
- The duty to give 'a fair day's work for a fair day's pay'
- The duty to strike only as a measure of last resort
- A duty to contribute to the best of their ability to the organization's goals
- A duty to work flexibly, using their skills to the full
- A duty to accept personal responsibility for developing skills to increase their effectiveness

Corporate Social Responsibility

People versus Corporation

The legal and historic roots of the modern corporation reach well back into the eighteenth century, but it was in the Industrial Revolution of the nineteenth century that this truly extraordinary form of human organization came into its own and, the twentieth century, became the dominant economic force on earth.

Corporations are not natural persons. Corporations are fictitious, corporations are juridical "persons" created by law. The point is this: the ethical considerations one might use when dealing with a friend, associate, or stranger, are significantly different when the subject is the corporation. Understanding this is critically important to an adequate understanding of business ethics. People are judged ethically and legally based chiefly on their intentions. In contrast, ethical analysis involving the entity we call "the corporation" must forever begin and end in law and public policy.

Corporate ethics is the ethics of corporate social responsibility (CSR), not corporate personal responsibility. The responsibility of a corporation is shaped by two realities:

- (1) the obligations created by society through law and public policy (legal responsibilities),**
- (2) the obligations created by corporate culture, i.e. stakeholder (customers, employees, neighborhoods, natural environments) obligations.**

CSR is a product of both compliance (legal and regulatory constraints) and integrity (the internal culture and self-regulatory environment).

Mixed Motives

Corporate ethics is really about gaining understanding of what are called "mixed motives".

Example: When natural persons have mixed motives - you give a hundred

dollars to the opera because you want your boss, who supports the opera, to think well of you - we somehow know that this is not an unambiguously laudable act.

But when a company that makes computers gives 100 laptops to the public school system, and does so with the hope that exposing children to their brand of computers will lead to increased sales - this "doing good to do well" is not only laudable, it is responsible both to shareholders and the stakeholders.

Corporations as a matter of fact, can only act with "mixed motives". By law, they are created to serve the bottom line of returning wealth to investors. To do well, a corporation must do well.

In a world of over six billion people, there is little alternative to large and complex organizations designed to feed, house, heal, and help meet basic human needs. The multinational corporation is here to stay, the issues of how these behemoths are guided and controlled is far from settled. How the humans who work and manage these organizations maintain their own integrity within the cultures of the multinational corporation is a chapter of history we are only beginning to write.

The Social Contract between society and the multinational corporation today is being radically renegotiated. The collapses of the Dotcoms, the Enron, WorldCom, and Adelphia scandals, and now, the meltdown of capital markets across the globe portends a turbulent future indeed for both the corporation and the business professional. Yet, it is in such times that fundamental changes most often emerge. Those who dare to ride these currents of change will emerge in a new order of political economy.